

FOREST TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDING
MARCH 31, 2008

Auditing Procedures Report V1.04

[Reset Form](#)[Email](#)

Issued under Public Act 2 of 1968, as amended.

Unit Name	Forest Township	County	CHEBOYGAN	Type	TOWNSHIP	MuniCode	
Opinion Date-Use Calendar	Jul 7, 2008	Audit Submitted-Use Calendar	Jul 15, 2008	Fiscal Year-Use Drop List		2008	

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/>	18. Are there reported deficiencies?
<input type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 193,507.00
General Fund Expenditure:	\$ 129,737.00
Major Fund Deficit Amount:	

General Fund Balance:	\$ 347,597.00
Governmental Activities Long-Term Debt (see instructions):	

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Joseph	Last Name	Kosanke	Ten Digit License Number	1101027829		
CPA Street Address	201 S. Main	City	Cheboygan	State MI	Zip Code 49721	Telephone	+1 (231) 627-4396
CPA Firm Name	Nieland & Kosanke, PC	Unit's Street Address	PO Box 25	City	Tower	LU Zip	49765

NIELAND & KOSANKE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

201 SOUTH MAIN STREET, SUITE #2

CHEBOYGAN, MICHIGAN 49721

(231) 627-4396

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DANIEL R. NIELAND, C.P.A.
JOSEPH D. KOSANKE, C.P.A.

MEMBER
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
AND
MICHIGAN ASSOCIATION OF CERTIFIED
PUBLIC ACCOUNTANTS

Supervisor and Members Of
The Township Board of Trustees
Forest Township
Cheboygan County, Michigan 49721

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, of Forest Township, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of government activities, each major fund and the aggregate remaining fund information of Forest Township as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated July 7, 2008, on our consideration of Forest Township's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing; and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, and budgetary comparison information on pages 4 through 7 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Forest Township's basic financial statements. The schedules listed as other supplemental information in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of Forest Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nieland & Kosanke, P.C.
Certified Public Accountants

July 7, 2008
Cheboygan, Michigan 49721

FOREST TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING MARCH 31, 2008

The Management's Discussion and Analysis for Forest Township covers the Township's financial performance during the year ended March 31, 2008.

Financial Highlights

Our Financial status remained stable over the last year. Net assets increased from \$481,493 to \$536,526, an increase of \$55,033.

Overall revenue was \$194,088. Taxable value increased by approximately \$1,900,000 to approximately \$26,600,000. We incurred no new debt.

Overview of Financial Statements

This annual report consists of three parts, Management's Discussion and Analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

Entity-Wide Financial Statements

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

FOREST TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING MARCH 31, 2008

Entity-Wide Financial Statements (continued)

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All activities of the Township are reported as governmental activities, and there are no business type activities. Governmental activities include the General Fund, Cemetery Fund, and Liquor Law Enforcement Fund.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's funds, focusing on significant funds and not the Township as a whole. In the section for other supplement information, the General Fund revenue and expenditures are shown on the line item basis. Funds are used to account for specific activities or funding sources. Law requires some funds. The Township Board may also create them. Funds are established to account for funding and spending financial resources and to show proper expenditures of those resources.

The Township has the following funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund, Cemetery Fund and Liquor Law Enforcement Fund.

Financial Analysis of the Township as a Whole

Our cash position in all governmental activities remains strong. Year-end cash position of all funds is as follows:

General Fund	\$ 321,739
Liquor Law Enforcement Fund	<u>(22)</u>
 Total Government Fund Cash	 <u>\$ 321,717</u>

FOREST TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING MARCH 31, 2008

Financial Analysis of the Township's Funds

Individual fund balances remain solid, as indicated by year-end balance and net change reflected below:

	Balance March 31, <u>2007</u>	Balance March 31, <u>2008</u>	Increase (Decrease) <u></u>
General Fund	\$ 283,827	\$ 347,597	\$ 63,770
Liquor Law Enforcement Fund	<u>(25)</u>	<u>(22)</u>	<u>3</u>
	<u>\$ 283,802</u>	<u>\$ 347,575</u>	<u>\$ 63,773</u>

Capital Assets and Long-Term Debt Activity

The Township did not incur any capital outlay in governmental funds during the year ended March 31, 2008. There was no long-term debt activity either new borrowing or principal repayment.

Significant Events – Past Fiscal Year

Forest Township authorized improvements to the community hall. The Township also authorized the purchase of a computer and accounting package for use by the Township Clerk to expedite the keeping of Township records and finances. This was a substantial investment for the Township and has already proven to be a valuable asset that will lead to other improvements. The Board of Directors and other management will now have access to more timely and potentially more accurate information to assist them in their leadership roles.

Factors Affecting Future Operations

In the upcoming fiscal year, Forest Township is planning on utilizing the funds on hand for significant road improvements, particularly within the Village of Tower. Also on the agenda is using funds on hand for improvements to the fire department equipment and possibly making substantial improvements to the Township Park. The Township has committed to supporting the Alpena to Cheboygan Trail project that hopefully will come to reality within the next four years. Management feels that the Township is in a fiscally sound position and can begin using the funds on hand for the benefit of our residents.

FOREST TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING MARCH 31, 2008

Contacting the Township's Management

This financial report is designed to provide our citizens, taxpayers, and other interested parties with a general overview of Forest Township's finances and also to show the accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Forest Township Clerk, at P. O. Box 25, Tower, Michigan 49765.

GENERAL PURPOSE FINANCIAL STATEMENTS

FOREST TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
STATEMENT OF NET ASSETS
FOR THE YEAR ENDING
MARCH 31, 2008

	<u>Primary Government Government Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash	\$ 321,717
Taxes Receivable	6,366
Loans Receivable - Fire Department	<u>28,465</u>
Total Current Assets	356,548
NON-CURRENT ASSETS:	
CAPITAL ASSETS:	
Land and Land Improvements	35,095
Buildings	242,071
Equipment and Furniture	23,158
Accumulated Depreciation	<u>(120,346)</u>
Total Non-Current Assets	<u>179,978</u>
Total Assets	<u><u>\$ 536,526</u></u>
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts Payable	\$ 1,820
Accrued Payroll	<u>7,153</u>
Total Current Liabilities	8,973
Total Liabilities	<u>8,973</u>
NET ASSETS:	
Invested in Capital Asset, Net of Related Debt	179,978
Unrestricted	<u>347,575</u>
Total Net Assets	527,553
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 536,526</u></u>

The accompanying notes are an integral
part of these financial statements.

FOREST TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING MARCH 31, 2008

					Net Expense And (Revenue) Changes In <u>Net Assets</u>
					<u>Primary Government</u>
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	<u>Government Activities</u>
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
Legislative	\$ 4,690	\$ -	\$ -	\$ -	\$ 4,690
Elections	1,367				1,367
Executive	12,613	-	-	-	12,613
General Services and Administration	40,883	-	-	-	40,883
Public Safety	24,800	-	-	-	24,800
Public Works	9,276	-	-	-	9,276
Sanitation	32,493	(11,360)	-	-	21,133
Other	<u>12,933</u>	<u>(200)</u>	<u>-</u>	<u>-</u>	<u>12,733</u>
TOTAL GOVERNMENT ACTIVITIES	<u>139,055</u>	<u>(11,560)</u>	<u>-</u>	<u>-</u>	<u>127,495</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 139,055</u>	<u>\$ (11,560)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,495</u>
GENERAL REVENUES:					
Taxes					\$ 80,772
State Shared Revenues					77,312
County Shared Revenues					9,805
Interest and Rentals					13,246
Miscellaneous					<u>1,393</u>
TOTAL GENERAL REVENUES					182,528
CHANGE IN NET ASSETS					55,033
NET ASSETS - BEGINNING					<u>481,493</u>
NET ASSETS - ENDING					<u>\$ 536,526</u>

The accompanying notes are an integral
part of these financial statements.

FOREST TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
BALANCE SHEET
FOR THE YEAR ENDING MARCH 31, 2008

	General <u>Fund</u>	Liquor Law Enforcement <u>Fund</u>	Government <u>Funds</u>
ASSETS:			
Cash Checking	\$ 321,739	\$ (22)	\$ 321,717
Taxes Receivable	6,366	-	6,366
Loans Receivable - Fire Department	<u>28,465</u>	<u>-</u>	<u>28,465</u>
			-
TOTAL ASSETS	<u>\$ 356,570</u>	<u>\$ (22)</u>	<u>\$ 356,548</u>
LIABILITIES AND FUND BALANCE:			
CURRENT LIABILITIES:			
Accounts Payable	\$ 1,820	\$ -	\$ 1,820
Accrued Payroll	<u>7,153</u>	<u>-</u>	<u>7,153</u>
Total Current Liabilities	8,973	-	8,973
Total Liabilities	<u>8,973</u>	<u>-</u>	<u>8,973</u>
FUND BALANCE:			
Unreserved	<u>347,597</u>	<u>(22)</u>	<u>347,575</u>
Total Fund Balance	<u>347,597</u>	<u>(22)</u>	<u>347,575</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 356,570</u>	<u>\$ (22)</u>	<u>\$ 356,548</u>

The accompanying notes are an integral
part of these financial statements.

FOREST TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDING MARCH 31, 2008

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS	\$ 347,575
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Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	<u>179,978</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 527,553</u></u>
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FOREST TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDING MARCH 31, 2008

	General <u>Fund</u>	Liquor Law Enforcement <u>Fund</u>	Total Government <u>Funds</u>
REVENUE:			
Taxes	\$ 80,772	\$ -	\$ 80,772
State Shared Revenue	76,731	581	77,312
County Shared Revenue	9,805	-	9,805
Interest	10,536	-	10,536
Rents	2,710	-	2,710
Reimbursements	1,393	-	1,393
Refuse	11,360	-	11,360
Cemetary	<u>200</u>	<u>-</u>	<u>200</u>
Total Revenue	193,507	581	194,088
EXPENDITURES:			
Legislative	4,690	-	4,690
Elections	1,367	-	1,367
Executive	12,613	-	12,613
General Services and Administration	31,565	-	31,565
Public Safety	24,800	578	25,378
Public Works	9,276	-	9,276
Sanitation	32,493	-	32,493
Other	<u>12,933</u>	<u>-</u>	<u>12,933</u>
Total Expenditures	<u>129,737</u>	<u>578</u>	<u>130,315</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES	63,770	3	63,773
FUND BALANCE - BEGINNING	<u>283,827</u>	<u>(25)</u>	<u>283,802</u>
FUND BALANCE - ENDING	<u>\$ 347,597</u>	<u>\$ (22)</u>	<u>\$ 347,575</u>

The accompanying notes are an integral
part of these financial statements.

FOREST TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING MARCH 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$ 63,773
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Depreciation Expense	<u>\$ 8,740</u>	<u>8,740</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 55,033</u>
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FOREST TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
FOR THE YEAR ENDING MARCH 31, 2008

	Agency Fund Type Property Tax <u>Collection Fund</u>
ASSETS:	
Cash	\$ <u>11</u>
TOTAL ASSETS	<u>\$ 11</u>
LIABILITIES:	
Due Other Funds	\$ <u>11</u>
TOTAL LIABILITIES	<u>\$ 11</u>

The accompanying notes are an integral
part of these financial statements.

FOREST TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of Forest in Cheboygan, Michigan, have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) which do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

(1) REPORTING ENTITY

Forest Township is an incorporated Township, which operates under a Supervisor – Board form of government. The Township provides the following services: public safety, highways and streets, sanitation, public improvements and general administrative services.

The Township has considered all potential component units in valuating how to define the Township for financial reporting purposes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement 14 of the Government Accounting Standards Board (GASB), *The Financial Reporting Entity*. The basic criteria includes the appointment of a voting majority of the governing board of the unit; legal separation of the Township and the component unit, fiscal independence of the unit, whether exclusion of the unit would make the Township's financial statements misleading, and whether there is a potential for the Organization to provide specific financial benefits to, or impose specific financial burdens on the Township. There are no component units to be included in these statements.

The financial reporting entity of Forest Township includes all funds and accounts of the Township.

(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT -WIDE FINANCIAL STATEMENTS

Forest Township's basic financial statements include both government -wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major

FOREST TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Township's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. Forest Township does not have any activity that is classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of Forest Township's functions. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating – specific and discretionary (either operating or capital) grants while the capital grants column reflects capital – specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of Forest Township as an entity and the change in net assets resulting from the current year's activities. The effect of inter-fund activities has been removed from these statements.

(3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

FOREST TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government Funds

The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township:

- General Fund – General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- Liquor Law Enforcement Fund – This is a State mandated fund to fund liquor establishment inspection.

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Township, these funds are not incorporated into the government-wide statements.

(4) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider has been met.

FOREST TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences and claims and judgments are recorded only when payment is due.

(5) FINANCIAL STATEMENT AMOUNTS

Budgets

All governmental funds are under formal budgetary control. Budgets shown in the financial statements as "GAAP Basis" are adopted on a basis consistent with generally accepted accounting principles (GAAP) and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget approved and amended by the Township Board. Budgets are adopted on the departmental level and control is exercised on that level.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of five years.

All capital assets are valued historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land Improvements	20 years
Building, Structures and Improvements	39 years
Equipment	5-12 years

FOREST TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Property Taxes

Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

Inter-fund Activity

All inter-fund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Vacation and Sick Leave

The Township has no liability for accumulated vacation or sick leave.

Implementation of New Accounting Principles

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – And Management's Discussion And Analysis – For State And Local Governments (GASB No. 34)*. Some of the significant changes in the Statement include the following:

- For the first time the financial statements include:

A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for the entire Townships' activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

FOREST TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE B – COMMON CASH ACCOUNTS AND SHORT-TERM INVESTMENTS

Cash equity in the common bank account of the Township is utilized by the various funds is as follows:

	<u>Checking</u>
General	\$ 10,021
Liquor	<u>(22)</u>
	<u>\$ 9,999</u>

These deposits and interest payment accounts are with local financial institutions. All accounts are in the name of the Township. Interest is recorded when deposits mature or is credited to the applicable account.

Michigan Compiled Laws Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities or guaranteed by the Government National Mortgage Association; United States government or Federal Agency obligation repurchase agreements; banker's acceptance of United States banks; mutual funds composed of investment vehicles which are legal or direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature no more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion Number 6168 states that public funds may not be deposited in the financial institutions located in states other than Michigan.

The Township deposits are in accordance with statutory authority. The Governmental Account Standards Board (GASB) Statement Number 3 risk disclosures for the Township cash deposit are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>
Insurance (FDIC)	\$ 100,000
Uninsured	<u>221,717</u>
	<u>\$ 321,717</u>

FOREST TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE C – CAPITAL ASSETS

A summary of the capital assets of the Governmental Activities is as follows:

	Balance at April 1, <u>2007</u>	<u>Additions</u>	<u>Disposals</u>	Balance at March 31, <u>2008</u>
GOVERNMENTAL ACTIVITIES:				
Land	\$ <u>5,538</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>5,538</u>
 Total Capital Assets, Not Being Depreciated	 <u>5,538</u>	 <u>-</u>	 <u>-</u>	 <u>5,538</u>
 Land Improvements	 29,557	 -	 -	 29,557
Buildings and Improvements	242,071	-	-	242,071
Furniture and Equipment	<u>23,158</u>	<u>-</u>	<u>-</u>	<u>23,158</u>
 Total Capital Assets Being Depreciated	 <u>294,786</u>	 <u>-</u>	 <u>-</u>	 <u>294,786</u>
 Less Accumulated Depreciation:				
Land Improvements	(13,572)	(1,037)	-	(14,609)
Buildings and Improvements	(84,300)	(6,052)	-	(90,352)
Furniture and Equipment	<u>(13,734)</u>	<u>(1,651)</u>	<u>-</u>	<u>(15,385)</u>
 Total Accumulated Depreciation	 <u>(111,606)</u>	 <u>(8,740)</u>	 <u>-</u>	 <u>(120,346)</u>
 GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	 <u>\$ 188,718</u>	 <u>\$ (8,740)</u>	 <u>\$ -</u>	 <u>\$ 179,978</u>

FOREST TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE C – CAPITAL ASSETS (continued)

A depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

General and Administrative	\$ <u>8,740</u>
	<u>\$ 8,740</u>

NOTE D – DEFINED CONTRIBUTION PENSION PLAN

Forest Township contributes to a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investment of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. All contributions are subject to 100% vesting. An employee who leaves the employment of the Township is entitled to his or her contributions and the Township's contribution because of 100% vesting.

The Township is required to contribute an amount equal to 6.0% of gross earnings.

During the year, the Township's required actual contributions amounted to \$1,956.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

The plan held no securities of the Township or other related parties during the year or as of the close of the fiscal year.

FOREST TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE E – CONTINGENT LIABILITIES

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained commercial insurance to handle its risk of loss.

NOTE F – BUDGET VARIANCES

Budgets are adopted on the departmental level. The budgets shown in the section for other supplemental information are shown by line item for information only. Therefore, negative variance is significant on the departmental basis. Negative variances are as follows:

<u>General Fund</u>	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenue:			
Swamp Tax & Comm. Forest	\$ 22,000	\$ 21,900	\$ (100)
Rents	3,000	2,710	(290)
Cemetery	1,000	200	(800)
Expense:			
Supervisor	11,000	12,613	(1,613)
Elections	1,000	1,367	(367)
Clerk	6,000	9,672	(3,672)
Cemetery	4,000	4,871	(871)
Sanitary Landfill	27,000	32,493	(5,493)
Pension and Payroll Tax	2,000	2,812	(812)
<u>Liquor Law Enforcement Fund</u>			
Revenue:			
State Shared Revenue	600	581	(19)

NOTE G – LOANS RECEIVABLE – FIRE DEPARTMENT

The Township has advanced funds to the Forest-Waverly Fire Department (a component unit of Waverly Township) to assist with payment for a building addition. Repayment on this loan is \$1,350 per quarter including interest at 2.0%. The current balance is \$37,775.

SUPPLEMENTAL INFORMATION

GENERAL FUND

FOREST TOWNSHIP
GENERAL FUND
BALANCE SHEET
FOR THE YEAR ENDING MARCH 31, 2008

ASSETS:

Cash	\$	321,739
Taxes Receivable - Real Delinquent		6,366
Loan Receivable - Fire Department		<u>28,465</u>
 TOTAL ASSETS	 \$	 <u>356,570</u>

LIABILITIES:

CURRENT LIABILITIES:

Accounts Payable	\$	1,820
Accrued Payroll		<u>7,153</u>

TOTAL CURRENT LIABILITIES		8,973
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TOTAL LIABILITIES		<u>8,973</u>
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GENERAL FUND BALANCE		<u>347,597</u>
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TOTAL LIABILITIES AND GENERAL FUND BALANCE	\$	<u>356,570</u>
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FOREST TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDING MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Current Property Tax	\$ 30,000	\$ 52,366	\$ 22,366
Delinquent Property Tax	5,000	6,506	1,506
Swamp Tax & Comm. Forest	22,000	21,900	(100)
State Revenue Sharing	64,500	76,731	12,231
County Shared Revenue	2,000	9,805	7,805
Interest Earnings	2,000	10,536	8,536
Rents	3,000	2,710	(290)
Reimbursements	500	1,393	893
Refuse	11,000	11,360	360
Cemetary	<u>1,000</u>	<u>200</u>	<u>(800)</u>
TOTAL REVENUE	141,000	193,507	52,507
EXPENDITURES:			
Legislative:			
Township Board	<u>5,000</u>	<u>4,690</u>	<u>310</u>
Total Legislative	5,000	4,690	310
Executive:			
Supervisor	<u>11,000</u>	<u>12,613</u>	<u>(1,613)</u>
Total Executive	11,000	12,613	(1,613)
Elections			
Elections	<u>1,000</u>	<u>1,367</u>	<u>(367)</u>
Total Elections	1,000	1,367	(367)

The accompanying notes are an integral part of these financial statements.

FOREST TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDING MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES: (continued)			
General Services Administration:			
Clerk	\$ 6,000	\$ 9,672	\$ (3,672)
Board of Review	1,000	751	249
Treasurer	8,000	7,736	264
Township Hall	35,000	8,535	26,465
Cemetary	<u>4,000</u>	<u>4,871</u>	<u>(871)</u>
Total General Services	54,000	31,565	22,435
Fire Protection:			
Fire Protection	<u>25,000</u>	<u>24,800</u>	<u>200</u>
Total Fire Protection	25,000	24,800	200
Public Works:			
Highways, Streets, Bridges and Lighting	<u>25,000</u>	<u>9,276</u>	<u>15,724</u>
Total Public Works	25,000	9,276	15,724
Sanitation:			
Sanitary Landfill	<u>27,000</u>	<u>32,493</u>	<u>(5,493)</u>
Total Sanitation	27,000	32,493	(5,493)

FOREST TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDING MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (<u>Unfavorable</u>)
Other Functions:			
Health	\$ 10,000	\$ 5,833	\$ 4,167
Pension and Payroll Tax	2,000	2,812	(812)
Insurance and Bonds	<u>5,000</u>	<u>4,288</u>	<u>712</u>
Total Other	17,000	12,933	4,067
TOTAL EXPENDITURES	<u>164,000</u>	<u>129,737</u>	<u>35,630</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (23,000)</u>	63,770	<u>\$ 16,877</u>
FUND BALANCE APRIL 1, 2007		<u>283,827</u>	
FUND BALANCE MARCH 31, 2008		<u>\$ 347,597</u>	

NON-MAJOR GOVERNMENTAL FUNDS

LIQUOR LAW ENFORCEMENT FUND – to account for monies used for activities relating to Liquor Law Enforcement. This fund is financed by return of a portion of liquor license fees paid to the State.

FOREST TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NON-MAJOR GOVERNMENTAL FUNDS
BALANCE SHEET
FOR YEAR ENDING MARCH 31, 2008

ASSETS

Cash	\$ (22)
TOTAL ASSETS	<u>(22)</u>
Liabilities	<u>-</u>
TOTAL LIABILITIES	<u>-</u>
FUND BALANCE	<u>(22)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ (22)</u></u>

FOREST TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NON-MAJOR GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
FOR THE YEAR ENDING MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE:			
State Shared Revenue	\$ 600	\$ 581	\$ (19)
Total Revenue	600	581	(19)
EXPENDITURES:			
Law Enforcement	<u>600</u>	<u>578</u>	<u>22</u>
Total Expenditures	<u>600</u>	<u>578</u>	<u>22</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$ -</u>	3	<u>\$ (41)</u>
FUND BALANCE – APRIL 1, 2007		<u>(25)</u>	
FUND BALANCE – MARCH 31, 2008		<u>\$ (22)</u>	

OTHER

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JOSEPH D. KOSANKE, C.P.A.

MEMBER
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AND
MICHIGAN ASSOCIATION OF CERTIFIED
PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To The Supervisor and Township Board of Trustees
Forest Township
Cheboygan County, Michigan 49721

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Forest Township of Cheboygan County, Michigan, as of and for the year ended March 31, 2008, and have issued our report thereon dated July 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Forest Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in a separate letter to management dated July 7, 2008.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Forest Township's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk of material misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected

Forest Township
Page 2
July 7, 2008

within a timely period by employees in the normal course of performing their assigned functions. We noted matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. The reportable condition is described as follows:

Due to staff size, there is limited segregation of duties over cash receipts/disbursements and the recording of these transactions. The Township recognizes this risk, but no change will be implemented because the costs would exceed the benefits.

This report is intended solely for the information and use of the Audit Committee, management and Township Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Nieland & Kosanke, P.C.
Certified Public Accountants

Cheboygan, Michigan 49721
July 7, 2008

NIELAND & KOSANKE, P.C.

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July 7, 2008

Forest Township
Township Board
Cheboygan County, Michigan

Re: Comments and Recommendations

We have examined the general purpose financial statements of Forest Township, Cheboygan County, for the year ended March 31, 2008, and have issued our report thereon dated July 7, 2008.

Our examination was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*. Solely to assist in planning and performing our examination, we made a study and evaluation of the internal accounting controls of Forest Township, Cheboygan County. That study and evaluation was limited to a preliminary review of the system to obtain an understanding of the control environment and the flow of transactions through the accounting system. Because we are not relying on the entity's internal accounting control procedures to restrict our substantive tests, our study and evaluation of the internal accounting controls did not extend beyond this preliminary review phase. Accordingly, we do not express an opinion on the system of internal accounting control taken as a whole. Also, our examination made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the system of internal accounting control.

This report and accompanying recommendations are intended solely for the use of management and should not be used for any other purpose.

Uniform Budgeting and Accounting Act (P.A. 621)

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process.

There were instances of unfavorable budget variances as shown in the supplemental data. The Board should review ongoing expenditures to budget and approve amendments as necessary. Generally, though the Board has approved payment, it may exceed the approved budget.

Negative Fund Balance

The Liquor Law Fund at year-end has a negative balance. The balance is not large in size, however, a transfer should be made from the General Fund to return the Liquor Law Fund balance to a positive balance.

General Ledger Posting

For the current fiscal year, the cash disbursement and cash receipts journals show each amount paid or received and to which account it should be posted. However, there does not appear to be a monthly posting to a general ledger which can lead to inaccurate reporting on an interim basis. As disclosed in the MD&A section of these financial statements, the Township has purchased a computer and accounting software package since year end to help automate this process. We feel that it would be wise to make a full commitment to this update in technology and advise the Township to make sure that the proper training is provided to the computer operator in order to best utilize the investment by the Township.

We found no other items during the examination worthy of note and would like to thank both Mrs. Stevens and Mrs. VanHuysen for the assistance they have shown us during the audit. If there are any questions regarding this letter or the audited statement, please don't hesitate to contact us.

Nieland & Kosanke, P.C.
Certified Public Accountants

NIELAND & KOSANKE, P.C.

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SUPPLEMENTAL MANAGEMENT COMMUNICATION

To the Supervisor and Township Board
Forest Township
Cheboygan County, Michigan

We have audited the financial statements of Forest Township for the year ended March 31, 2008, and have issued our report thereon dated July 7, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under General Accepted Auditing Standards

As we stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected.

As part of our audit, we considered the internal control structure of the Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of my engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies adopted by the Township are described in Note A of the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007/2008. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not, resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation With Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the government unit's financial statements or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise me to determine if the consultant has all the relevant facts. There were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditor. However, these discussions occurred in the normal course of my professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

This information is intended solely for the use of the Township Board and management of Forest Township and is not intended to be and should not be used by anyone other than these specified parties.

Nieland & Kosanke, P.C.
Certified Public Accountants